

**RHODE ISLAND PUBLIC RADIO**

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**Financial Statements**

**June 30, 2016**

**Mullen Scorpio Cerilli**

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**Certified Public Accountants  
Business Consultants**

# Mullen Scorpio Cerilli

## RHODE ISLAND PUBLIC RADIO

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# Mullen Scorpio Cerilli

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Business Consultants**

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## **Independent Auditor's Report**

The Board of Directors of  
Rhode Island Public Radio

We have audited the accompanying financial statements of Rhode Island Public Radio (a Rhode Island nonprofit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of revenue, expenses, and other changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

# Mullen Scorpio Cerilli

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rhode Island Public Radio as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Report on Summarized Comparative Information

We have previously audited Rhode Island Public Radio's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 20, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.



October 18, 2016  
Providence, Rhode Island

**RHODE ISLAND PUBLIC RADIO**  
**Statement of Financial Position**  
**June 30, 2016**  
**(With Comparative Totals for June 30, 2015)**

	2016	2015
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 1,075,680	\$ 999,797
Accounts receivable	76,466	103,827
Prepaid expenses	35,118	33,410
Total current assets	1,187,264	1,137,034
Property and equipment, net (Note 3)	306,543	353,125
Other assets:		
Licenses, net (Note 4)	532,256	913,400
Total assets	\$ 2,026,063	\$ 2,403,559
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable	\$ 41,871	\$ 92,878
Accrued expenses	117,201	69,960
Unearned revenue	10,000	17,510
Notes payable - current portion (Note 5)	269,646	-
Total current liabilities	438,718	180,348
Other liabilities:		
Note payable, net of current portion (Note 5)	637,012	948,012
Total liabilities	1,075,730	1,128,360
Net assets:		
Unrestricted	861,137	1,230,327
Temporarily restricted (Note 7)	89,196	44,872
Total net assets	950,333	1,275,199
Total liabilities and net assets	\$ 2,026,063	\$ 2,403,559

The notes are an integral part of these financial statements.

**RHODE ISLAND PUBLIC RADIO**  
**Statement of Revenues, Expenses and Other Changes in Net Assets**  
**For the Year Ended June 30, 2016**  
**(With Comparative Totals for the Year Ended June 30, 2015)**

	2016			2015
	Unrestricted	Temporarily Restricted	Total	Total
Operating revenue:				
Grants	\$ 190,928	\$ 250,854	\$ 441,782	\$ 436,253
Contributions	1,372,889	160,390	1,533,279	1,347,513
Corporate underwriting	767,810	-	767,810	897,847
Interest income	1,933	-	1,933	1,542
Other	88,856	-	88,856	79,128
Total operating revenue	<u>2,422,416</u>	<u>411,244</u>	<u>2,833,660</u>	<u>2,762,283</u>
Reclassification - net assets released from restrictions by satisfaction of program restrictions (Note 8)	<u>329,567</u>	<u>(329,567)</u>	<u>-</u>	<u>-</u>
Total revenue and reclassifications	<u>2,751,983</u>	<u>81,677</u>	<u>2,833,660</u>	<u>2,762,283</u>
Operating expenses:				
Program services	2,009,275	-	2,009,275	1,811,378
Management and general	526,817	-	526,817	517,214
Fundraising	629,234	-	629,234	784,737
Total operating expenses	<u>3,165,326</u>	<u>-</u>	<u>3,165,326</u>	<u>3,113,329</u>
Changes in net assets from operations	<u>(413,343)</u>	<u>81,677</u>	<u>(331,666)</u>	<u>(351,046)</u>
Other changes:				
Nonoperating capital campaign:				
Contributions	-	6,800	6,800	331,892
Release from restrictions (Note 9)	44,153	(44,153)	-	-
Total other changes	<u>44,153</u>	<u>(37,353)</u>	<u>6,800</u>	<u>331,892</u>
Changes in net assets	(369,190)	44,324	(324,866)	(19,154)
Net assets, beginning of year	<u>1,230,327</u>	<u>44,872</u>	<u>1,275,199</u>	<u>1,294,353</u>
Net assets, end of year	<u>\$ 861,137</u>	<u>\$ 89,196</u>	<u>\$ 950,333</u>	<u>\$1,275,199</u>

The notes are an integral part of these financial statements.

**RHODE ISLAND PUBLIC RADIO**  
**Statement of Functional Expenses**  
**For the Year Ended June 30, 2016**  
**(With Comparative Totals for the Year Ended June 30, 2015)**

	2016			2015	
	Program Services	Supporting Services		Total Expenses	Total
		Management and General	Fundraising		
Salaries	\$ 808,826	\$ 235,598	\$ 294,403	\$ 1,338,827	\$ 1,319,610
Payroll taxes	73,928	22,179	27,107	123,214	89,709
Employee benefits	86,769	26,031	31,815	144,615	111,751
Occupancy	88,480	80,002	-	168,482	146,258
Utilities	56,445	720	8,157	65,322	58,883
Real estate taxes	9,693	-	-	9,693	11,310
Insurance	18,985	5,424	2,712	27,121	27,794
Equipment and site maintenance	69,195	2,424	-	71,619	104,277
Postage	708	559	19,837	21,104	14,097
Printing	813	-	31,008	31,821	28,871
Graphics and website design	-	-	-	-	7,373
Supplies	13,197	6,914	4,095	24,206	19,851
Travel, staff and meeting expenses	14,406	6,873	8,976	30,255	37,812
Telecommunications	70,649	6,345	2,395	79,389	66,621
Accounting fees	-	11,348	-	11,348	11,000
Legal fees	740	125	-	865	7,702
Other professional fees	62,407	8,319	33,188	103,914	111,301
Recruiting expense	-	19,679	-	19,679	64,027
Direct program fees	99,104	-	-	99,104	91,020
Advertising and marketing	71,375	-	27,041	98,416	86,387
License, fees and dues	25,658	1,332	2,207	29,197	52,882
Payroll service fees	26,590	9,998	9,750	46,338	7,607
Special event expenses	8,718	-	91,288	100,006	119,220
Interest expense	23,984	-	-	23,984	33,515
Bank and credit card fees	-	1,134	35,255	36,389	26,005
Bad debt	-	15,000	-	15,000	-
<b>Total expenses before depreciation and amortization</b>	<b>1,630,670</b>	<b>460,004</b>	<b>629,234</b>	<b>2,719,908</b>	<b>2,654,883</b>
Depreciation and amortization	378,605	66,813	-	445,418	458,446
<b>Total expenses</b>	<b>\$ 2,009,275</b>	<b>\$ 526,817</b>	<b>\$ 629,234</b>	<b>\$ 3,165,326</b>	<b>\$ 3,113,329</b>

The notes are an integral part of these financial statements.

**RHODE ISLAND PUBLIC RADIO**

**Statement of Cash Flows**

**For the Year Ended June 30, 2016**

**(With Comparative Totals for the Year Ended June 30, 2015)**

	2016	2015
Net cash flows from operating activities:		
Changes in net assets	\$ (324,866)	\$ (19,154)
Adjustment to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	445,418	458,446
Changes in assets and liabilities:		
Pledges receivable	-	6,750
Accounts receivable	27,361	(9,725)
Prepaid expenses	(1,708)	14,502
Accounts payable and accrued expenses	(3,766)	(3,021)
Deferred contract revenue	(7,510)	5,210
	134,929	453,008
Net cash provided by operating activities		
Net cash flows from investing activities:		
Purchase of fixed assets	(17,692)	(102,713)
Net cash used in investing activities	(17,692)	(102,713)
Net cash flows from financing activities:		
Payment made on note payable	(41,354)	(261,000)
Net cash used in financing activities	(41,354)	(261,000)
Net increase (decrease) in cash and cash equivalents	75,883	89,295
Cash and cash equivalents, beginning of year	999,797	910,502
Cash and cash equivalents, end of year	\$ 1,075,680	\$ 999,797
Interest paid	\$ 2,120	\$ 62,492
Taxes paid	\$ -	\$ -

The notes are an integral part of these financial statements.



# **RHODE ISLAND PUBLIC RADIO**

## **Notes to Financial Statements**

**June 30, 2016**

### **Note 1 - Nature of Activities**

Rhode Island Public Radio (the "Corporation") is organized as a nonprofit corporation under the laws of the State of Rhode Island. It is licensed by the Federal Communications Commission to operate an FM station (WRNI-102.7 FM) from Narragansett, Rhode Island. It is also licensed to operate an AM station (WRNI 1290 AM) from North Providence, Rhode Island.

The AM station is leased to Latino Public Radio.

Rhode Island Public Radio is airing its programs on owned station WRNI 102.7 FM and leased stations WCVY 91.5 FM and WELH 88.1 FM.

Revenue is received through contributions, grants and underwriting.

### **Note 2 - Summary of Significant Accounting Policies**

#### **Basis of Accounting**

The accompanying financial statements of the Corporation have been prepared on the accrual basis. Under the accrual basis, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred. The significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

#### **Basis of Presentation**

The Corporation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Descriptions of the three net asset categories are as follows:

- Unrestricted net assets include revenues and expenses and contributions pledged which are not subject to any donor-imposed restrictions.
- Temporarily restricted net assets include gifts and promises to give for which time restrictions or donor-imposed restrictions have not yet been met. When the restriction expires, either by the passage of a stipulated time restriction or by the accomplishment of a specific purpose, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Revenues, Expenses and Other Changes in Net Assets as net assets released from restrictions.
- Permanently restricted net assets include gifts which require, by donor restriction, that the corpus be invested in perpetuity and only the income or a portion thereof be made available for program operations in accordance with donor restrictions. As of June 30, 2016 and 2015, the Corporation has no permanently restricted net assets.

*Note 2 continued on the next page.*

## **Note 2 - Summary of Significant Accounting Policies**

### **Estimates and Assumptions**

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Accordingly, actual results may differ from those estimates.

### **Cash and Cash Equivalents**

For purposes of reporting cash flows, the Corporation considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

### **Accounts and Pledges Receivable**

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. The Corporation does not recognize conditional promises to give as revenue until the condition is met.

The Corporation has adopted the reserve method to record bad debts. Under this method, an allowance for doubtful accounts is maintained for the amount of estimated uncollectible accounts. The reserve for uncollectible accounts was \$15,000 and \$0 at June 30, 2016 and 2015, respectively.

### **Property and Equipment**

Rhode Island Public Radio capitalizes property and equipment that costs \$3,000 or more and has a useful life of more than one year. This property and equipment is recorded at cost as of the date of acquisition or fair value as of the date of receipt in the case of gifts. Depreciation is computed on a straight-line basis over the estimated useful lives of the property and equipment in accordance with the following schedule:

	<u>Years</u>
Broadcast and transmission equipment	5
Furniture and office equipment	3
Computer equipment and software	3-5

The cost and accumulated depreciation of property sold or retired is removed from the related asset and accumulated depreciation accounts and any resulting gain or loss is recorded in the period of disposal.

Renewals and improvements, which extend the useful lives of assets, are capitalized at cost. Maintenance and repairs are included as expenses in the statement of revenues, expenses and other changes in net assets.

### **Other Assets - Licensing Rights**

The cost of licensing rights acquired is being amortized on the straight-line basis over ten years.

*Note 2 continued on the next page.*

## **Note 2 - Summary of Significant Accounting Policies**

### **Contributions**

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of revenues, expenses and other changes in net assets as net assets released from restrictions.

### **Donated Goods and Services**

Rhode Island Public Radio receives a significant amount of donated services from board members and other volunteers who assist in fundraising and special events. These services have not been recognized in the statement of activities since such services either do not require specialized skills or would not typically be purchased if not provided by donation.

### **Underwriting Trade**

Underwriting that is traded for goods or services are reflected as corporate underwriting revenue at their estimated value on date of receipt. The Corporation recognizes an expense at the time the goods or services are provided. The difference between the amount earned and incurred is reflected as a trade receivable or payable.

### **Functional Allocation of Expenses**

The cost of providing the various programs and other activities has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

### **Income Taxes**

Rhode Island Public Radio is exempt from income taxes as a charitable organization under Section 501(c)(3) under the Internal Revenue Code and is not considered a private foundation.

The Corporation evaluates its uncertain tax positions using the guidance for contingencies as contained in generally accepted accounting principles. The Organization was not aware of any uncertain tax positions that were not provided for in the accompanying financial statements.

The Organization annually files Internal Revenue Service Form 990 – *Return of Organization Exempt from Income Tax*, reporting various information that the IRS uses to monitor the activities of tax-exempt entities. These tax returns are subject to review by the IRS and state tax authorities, generally for three years after they were filed. The Organization currently has no tax examinations in progress.

### Note 3 - Property and Equipment

Property and equipment for the years ended June 30, 2016 and 2015 are summarized as follows:

	2016	2015
Land – Douglas Avenue, North Providence	\$ 113,871	\$ 113,871
Building – Douglas Avenue, North Providence	117,000	117,000
Furniture, fixtures and equipment	22,901	22,901
Broadcast and transmission equipment	634,437	626,488
Computer software and equipment	103,424	93,681
	<hr/>	<hr/>
Total property and equipment	991,633	973,941
Accumulated depreciation	(685,090)	(620,816)
	<hr/>	<hr/>
Net property and equipment	\$ 306,543	\$ 353,125

### Note 4 - Licenses

On January 15, 2009, WRNI-AM was purchased from the Trustees of Boston University for \$2 million. This purchase price was allocated to broadcast station equipment, land and building (Note 3) and license and is amortized on a straight-line basis for ten years. This purchase was financed through a promissory note to the Trustees of Boston University (Note 5).

WRNI-FM (formerly known as WAKX-FM) was purchased on May 15, 2007 at a total acquisition cost of approximately \$2.7 million, funded in part through a note from the Rhode Island Foundation totaling \$2.4 million (Note 5) and through contributions from the Capital Campaign (Note 9) amounting to approximately \$269,000. The entire purchase price was allocated to license and is amortized on a straight-line basis for ten years.

Amortization expense charged to operations amounted to \$381,144 and \$381,144 for the years ended June 30, 2016 and 2015, respectively.

The licenses for the years ended June 30, 2016 and 2015 are summarized as follows:

	2016	2015
Cost – FCC License – 102.7 FM	\$ 2,654,620	\$ 2,654,620
Cost – FCC License – 1290 AM	1,156,817	1,156,817
Accumulated amortization	(3,279,181)	(2,898,037)
	<hr/>	<hr/>
Licenses, net	\$ 532,256	\$ 913,400

## Note 5 - Notes Payable

	<u>2016</u>	<u>2015</u>
Note payable in the original amount of \$2,360,109 to The Rhode Island Foundation with interest at .86% for 2016 and 2015. The note is payable on May 16, 2022. Interest is payable quarterly. The note payable is secured by all the Corporation's business assets, including any FCC licenses. In March 2012, the Rhode Island Foundation subordinated their interest in 102.7 FM to the institution holding the line of credit.	\$ 326,012	\$ 326,012
Note payable in the original amount of \$1,555,000 to Trustees of Boston University with interest starting to accrue on January 15, 2011, at the average prime rate and is payable along with each principal payment. The note was payable beginning January 15, 2011 with installment, due 2012, 2014, 2016, 2017 and is payable in full on January 15, 2019.	<u>580,646</u>	<u>622,000</u>
Total notes payable	906,658	948,012
Current portion	<u>(269,646)</u>	<u>-</u>
Long term portion	<u>\$ 667,012</u>	<u>\$ 948,012</u>

Scheduled minimum debt payments are as follows:

Year ended June 30,	<u>2016</u>
2017	\$ 269,646
2018	-
2019	311,000
2020	-
2021	-
Thereafter	<u>326,012</u>
Total	<u>\$ 905,658</u>

## Note 6 - Line of Credit

On March 21, 2012, the Corporation obtained a line of credit for \$250,000 with an interest rate of the lender's base rate plus 1.5% per annum with a floor rate of 5.5% computed on the average daily debit balance. The line is collectively secured by a continuing security interest in all tangible and intangible personal property of the debtor relating to WRNI 102.7 FM.

The balance on the line at June 30, 2016 and 2015 was \$0.

**Note 7 - Temporarily Restricted Net Assets**

Temporarily restricted net assets at June 30, 2016 and 2015 consist of the following:

	<u>2016</u>	<u>2015</u>
Capital campaign	\$ -	\$ 37,354
News reporting	27,796	7,518
Environmental challenge	25,300	-
FY17 Gala	<u>36,100</u>	<u>-</u>
Total temporarily restricted net assets	<u>\$ 89,196</u>	<u>\$ 44,872</u>

**Note 8 - Net Assets Released from Restrictions - Operating**

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or any occurrence of events specified by the donors. For the years ended June 30, 2016 and 2015, expenses released from restrictions were incurred for program expenses for news, education, reporters and health care.

**Note 9 - Net Assets Released from Restrictions - Nonoperating Capital Campaign**

In 2007, the Corporation began a \$4 million Capital Campaign to principally support the purchase of WRNI 1290 AM from Boston University and pay off debt related to the acquisition of 102.7 FM in southern Rhode Island and certain expenses. A summary of the funds released from restrictions is as follows:

	<u>2016</u>	<u>2015</u>
Nonoperating:		
Debt repayment	\$ 44,153	\$ 323,492
Interest payment	-	8,400
Pledge write off	<u>-</u>	<u>6,750</u>
Total released from restrictions	<u>\$ 44,153</u>	<u>\$ 338,642</u>

## Note 10 - Operating Leases

### *Broadcast Tower*

Rhode Island Public Radio leases the broadcast tower for WRNI-FM. Lease expenses totaled \$41,390 and \$39,797 for the years ended June 30, 2016 and 2015, respectively. This lease expires in January 31, 2025. Future minimum lease payments under these leases are as follows:

Year ended June 30,

2017	\$ 43,045
2018	44,767
2019	46,558
2020	48,420
2021	50,357
Thereafter	<u>197,282</u>
Total	<u>\$ 430,429</u>

### *Offices and Studio Space*

The Corporation leases its office and studio space. The rent expense for the years ended June 30, 2016 and 2015 was \$76,570 and \$74,944, respectively. The lease expires on May 31, 2017. Future minimum lease payments are as follows:

Year ended June 30,

2017	<u>\$ 71,474</u>
Total	<u>\$ 71,474</u>

### *Signal Expansion*

The Corporation has a lease with the Wheeler School to lease 88.1 FM and broadcast on that station through October 2021. The expense for the year ended June 30, 2016 and 2015 was \$75,000 and \$75,000, respectively. In addition, a general contribution of \$7,480 will be made to the school based on increased membership and underwriting revenues per the lease agreement.

Future minimum lease payments are as follows:

Year ended June 30,

2017	\$ 75,000
2018	75,000
2019	75,000
2020	75,000
2021	75,000
Thereafter	<u>20,161</u>
Total	<u>\$ 395,161</u>

### **Note 11 - Retirement Savings Plan**

Effective July 1, 2007, the Corporation adopted a 401(k) plan for its employees. Under the plan, employees become eligible to participate upon the later of attaining the age of 21 or completing 3 months of service. In 2016, the Corporation altered its match policy from a required match of 50% of employees' contribution up to the first 5% of gross salaries to a discretionary match which is based on the organization's overall fiscal year performance.

For the years ended June 30, 2016 and 2015, expenses incurred under the plan amounted to \$23,811 and \$15,786, respectively.

### **Note 12 - Concentration of Credit Risk**

The Corporation maintains its cash balances at banks in Rhode Island and Massachusetts. Accounts at the financial institution are insured by the Federal Deposit Insurance Corporation. At June 30, 2016 and 2015 the Corporation's uninsured cash balances totaled approximately \$598,102 and \$499,997.

### **Note 13 - Related Parties**

For the years ended June 30, 2016 and 2015, there were no related party transactions.

### **Note 14 - Subsequent Events**

Management has evaluated all subsequent events through October 18, 2016, the date the financial statements were available to be issued.

The following transaction occurred after the end of the year.

- Debt payment

On July 11, 2016, the Organization paid principal of \$269,646 and interest of \$20,878 on the note payable to the Trustees of Boston University. This payment was paid earlier than the schedule due date of January 15, 2017.